

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
National Exchange Carrier Association, Inc.) WC Docket No. 02-356
Tariff FCC No. 5, Transmittal No. 952)

**COMMENTS
OF THE
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION**

The National Telecommunications Cooperative Association (NTCA) hereby submits its comments in support of the Direct Case of the National Exchange Carrier Association, Inc. (NECA) in response to the issues set for investigation in the FCC's *Designation Order*.¹ The tariff revisions increase NECA's interstate revenue requirement to reflect provision for higher uncollectibles, resulting in higher traffic sensitive switched and special access recurring rates. The tariff revisions are just and reasonable and address an unexpected shortfall in the uncollectible reserve for the current Test Period of July 1, 2002 to June 30, 2003.

I. STATEMENT OF INTEREST

NTCA is a national industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents more than 555 rural rate-of-return regulated incumbent local exchange carriers (ILECs). All of its members are full service local exchange carriers, and many members also provide wireless, cable, Internet, satellite and long distance services to their communities. Each member is a "rural telephone

company” as defined in the Communications Act of 1934, as amended (Act) and all participate to varying degrees in the NECA pools. As such, NTCA members have a substantial and vested interest in the outcome of this proceeding.

II. THE REVISIONS OF TRANSMITTAL 952 ADDRESS AN IMMEDIATE AND IDENTIFIABLE SHORTFALL IN THE UNCOLLECTIBLE RESERVE.

The tariff revisions of transmittal 952 specifically address an unanticipated shortfall in the NECA uncollectible reserve for the current tariff Test Period. NECA projects uncollectible revenues of \$15 million greater than the amount originally included in the current Test Period and tariff revisions are necessary for NECA to maintain the authorized rate of return.²

NECA’s uncollectible projections are based on recent data and predictions of well-known and respected analysts.³ In just the last few years, uncollectibles have risen at a pace that could not be anticipated. For 2002, uncollectibles are already about 1,000% higher than the levels experienced in 1998. When all companies have reported their uncollectibles to the pool, the rate of uncollectibles is expected to be more than 2,300% higher than what they were in 1998.⁴ This significant increase cannot be attributed to normal business fluctuations brought on by the bankruptcy filings of a few large interexchange carriers, but rather is a symptom of the financial weakness in the interstate access business.⁵ In making the tariff revisions of

¹ National Exchange Carrier Association, Inc., Tariff FCC No. 5, Transmittal No. 952, WC Docket No. 02-356, *Order*, DA 02-3100 (rel. Nov. 8, 2002). (FCC Order).

² Direct Case of NECA, Tariff FCC No. 5, Transmittal No. 951, WC Docket No. 02-340, p. 3 (Nov. 21, 2002).

³ See Direct Case of NECA, Tariff FCC No. 5, Transmittal No. 952, WC Docket No. 02-356, exhibit B (Dec. 2, 2002).

⁴ *Id.* at 4.

⁵ See NTCA’s Comments in support of the Direct Case of NECA, Tariff FCC No. 5, Transmittal No. 951, WC Docket No. 02-340 (filed Dec. 4, 2002).

transmittal 952, NECA had to look beyond its traditional method of projecting uncollectibles based on historical trends. NECA was forced to incorporate the financial uncertainty of the telecommunications industry. The revised tariff necessarily includes projections of future bankruptcy claims and adjusts the tariff rates accordingly.

III. THE TARIFF REVISIONS OF TRANSMITTAL 952 ARE NECESSARY IN ADDITION TO THE REVISIONS OF TRANSMITTAL 951.

The Commission asks for an explanation of how the increased security deposits proposed by NECA in Transmittal No. 951 do not address the same risk as the increase in traffic sensitive and special access rates proposed in transmittal 952.⁶ Simply put, the increase to reflect expected uncollectibles in the current test period addresses an immediate and identifiable need. The tariff change to permit companies to require increased security deposits will offer a small measure of protection on a long-term basis.

Transmittal 952 addresses an unexpected shortfall in the uncollectible reserve for the current Test Period beginning July 1, 2002 to June 30, 2003. While the tariff change excludes the bankruptcy-rated amounts that have already occurred, it includes projections of future bankruptcy claims and other uncollectibles through June 30, 2003.⁷ Conversely, Transmittal 951 proposes longer-term solutions to reduce the amount of uncollectible revenue. 951 focuses on specific customers that are objectively deemed likely to default. It permits companies to require deposits from risky customers to help limit losses from nonpayment. Transmittal 952 focuses on an

⁶ FCC Order, p. 3.

⁷ NECA Direct Case, Transmittal 92, p. 11.

immediate pool need in the current test period. Transmittal 951 focuses on reducing the risk of providing service to customers with poor credit ratings.

While Transmittals 951 and 952 compliment each other, both are necessary. The ability to demand security from high credit risks and shorter notice periods for cut off will not make up for uncollectibles not accounted for in the current year filing. The security deposits and shorter notice periods would help to reduce the overall level of uncollectibles, but it will not eliminate it. Thus, transmittal 952 addresses the uncollectibles anticipated in the current Test Period.

IV. CONCLUSION

NECA has sufficiently demonstrated that its proposed tariff revisions are necessary and reasonable. The rate increases are supported by sufficient cost data and have satisfied the requirements of the Commission's rules.

Respectfully submitted,

NATIONAL TELECOMMUNICATIONS
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December 16, 2002

CERTIFICATE OF SERVICE

I, Gail Malloy, certify that a copy of the foregoing Comments of the National Telecommunications Cooperative Association in WC Docket No. 02-356, DA 02-3100 was served on this 16th day of December 2002 by first-class, U.S. Mail, postage prepaid, to the following persons.

/s/ Gail Malloy

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